
CHAPTER 1

1 INTRODUCTION

Fairbanks Gold Mining, Inc. (FGMI) proposes developing an open-pit gold mine, known as the True North Project, located 15 miles north-northeast of downtown Fairbanks, Alaska. The mine would operate year around, handling approximately 30,000 tons of material per day, with approximately 10,000 tons being trucked daily to the Fort Knox Mill. With approximately 83 percent recovery, the mine would be expected to produce approximately 180,000 ounces of gold annually. Mining would be similar to a gravel pit or rock quarry; therefore, no milling or other process facilities would be present on the property.

Mining of the Hindenburg and East pits is projected to begin in the fourth quarter of 2000 and continue for approximately three years. Development costs are estimated at between \$20 and \$30 million. Estimated annual operating expenditures for labor, power, and support services would be approximately \$14 million, most of which would be spent in Fairbanks and throughout Alaska. The operational work force would be approximately 100 to 110 people.

FGMI is a wholly owned subsidiary of Kinross Gold U.S.A., Inc., a Nevada corporation that in turn is a wholly owned subsidiary of Kinross Gold Corporation, a precious metals company with principal operating offices in Toronto. Kinross has mining operations in North and South America, Africa and Russia. In 1999, these Kinross properties produced in excess of 1 million ounces of gold and 300,000 ounces of silver. In the same year Kinross had revenues of \$318 million.

1.1 PURPOSE OF AND NEED FOR ACTION

The purpose of the True North project is to supply approximately 10,000 tons of ore per day having a grade of .063 ounces per ton (opt) to the existing Fort Knox Mill for blending with ore from the Fort Knox Mine having a grade of .0245 opt. This will enable production of a blended ore having a grade of .0342 opt which will protect the Fort Knox Mine and Mill from earlier closure due to a reduction in the price of gold. At current gold prices, this will extend the life of the Fort Knox Mine and Mill for approximately three years without need for additional milling or tailings disposal infrastructure at either Fort Knox or True North.

To develop the True North project, FGMI needs to open two surface mine pits and construct additional roads, parts of which would be in wetland areas. FGMI has applied to the U. S. Army Corps of Engineers (COE) for a revision to its Clean Water Act (CWA § 404 Murray Creek 2 permit to construct an access road and to develop the Hindenburg and East pits in approximately 78 acres of wetlands, which are waters of the United States. The application has triggered an environmental review process by the COE as mandated by the National Environmental Policy Act (NEPA). Pursuant to NEPA, the COE needs to take action to assess the potential impacts of such development to determine if it is appropriate to issue the necessary permits. This document is being provided to assist the COE in that endeavor.

The first step in the process requires the COE to prepare an environmental assessment (EA) to determine whether issuing a Section 404 permit for the project would constitute a "major federal action substantially affecting the quality of the human environment." To assist the COE in making that determination, FGMI, as the applicant, has contracted with Terra Nord to develop this True North Project Environmental Evaluation Document. This document, which also responds to public comments on FGMI's application, will be submitted to the COE in support of FGMI's Section 404 application as the COE develops its EA.

The purposes of this True North Project Environmental Evaluation Document are to:

- Gather in one place a resource baseline description
- Describe the proposed project
- Assess the significance of direct, indirect and cumulative impacts from project development
- Incorporate information in response to comments and questions by the public and the agencies

While this environmental evaluation document and response to public comments is not an EA in the technical sense, it does follow the format of such documents developed under NEPA because that format generally has widespread use and understanding among the agencies and the public.

A purpose of this environmental evaluation document is to determine whether issuing the Section 404 permit to FGMI would significantly affect the quality of the human environment. This document approaches the task of assessing the potential for significant impacts from project development in a three-step process. First, in Chapter 2 (Options Analysis), the project options that have been considered by FGMI in preparation for submitting its Section 404 application are discussed. The chapter identifies evaluation criteria and discusses how options were screened and evaluated, and how the applicant's preferred options were selected. Chapter 2 also describes the applicant's proposed project and addresses the no action alternative.

For the second step, Chapter 3 (Affected Environment) describes the environment of the project area as it exists today, *before* the project is developed. The description serves as baseline against which project development may be measured.

For the third and most important step, Chapter 4 (Environmental Consequences) describes the environmental consequences of project development, determines whether there would be impacts, and whether those impacts would be significant. If significant impacts are identified, it discusses whether the impacts could be mitigated. Figuratively, this document superimposes the project description

(Chapter 2) on the existing environment (Chapter 3) to determine whether significant impacts would occur (Chapter 4).

In developing this environmental evaluation document, several other documents germane to the True North project have been heavily relied on and are frequently referenced. These include several baseline studies and technical reports cited in the text as well as FGMI's *True North Project Description* (FGMI, 2000a), *True North Project Reclamation Plan* (FGMI, 2000b), *Application for Modification of Army Corps of Engineers (DA) permits* (FGMI, 2000c), *True North Project Application for Rights-of-Way, Millsite Lease ADL 672204, and Approval of Plan of Operations* (FGMI, 2000d), and the *Fort Knox Mine Environmental Assessment* (FGMI, 1993). Rather than reproduce substantial portions of several of these documents, this environmental evaluation document incorporates them by reference here and then summarizes the most important information in these documents and frequently refers readers to the seminal documents for more detailed information.

Because of the juxtaposition of the True North and Fort Knox mines, and because the True North project would process ore at the Fort Knox Mill, the two projects are closely linked. Therefore, this True North Project Environmental Evaluation Document incorporates by reference FGMI's Fort Knox Mine EA (FGMI, 1993). The Council on Environmental Quality's regulations implementing NEPA direct agencies to incorporate information by reference where, as here, doing so will, "...cut down on the bulk without impeding agency and public review of the action." 40 C.F.R. § 1502.21. By incorporating the Fort Knox EA by reference, this True North Project Environmental Evaluation Document can more clearly focus on those effects on Fort Knox arising solely as a consequence of the True North project, while at the same time affording the public a complete picture of the project's context.

1.2 PROJECT LOCATION AND LAND STATUS

The True North prospect is located in the Chatanika River watershed on the northwest flank of Pedro Dome, four miles west of Cleary Summit and approximately 15 miles north-northeast of Fairbanks (Figs. 1.2-1 and 1.2-2). More specifically, the millsite lease is located in portions of Sections 21, 27, 28, 29, 32 & 33, T3N, R1E, Fairbanks Meridian. The ridge lines drain into Murray Creek, a tributary of Dome Creek to the south; and Louis Creek, Whiskey Gulch, and Spruce Creek, tributaries of Little Eldorado Creek to the north.

Under 33 Code of Federal Regulations (CFR) Part 325, Appendix B, paragraph 7, the COE's permitting jurisdiction over the True North project is circumscribed by the access haul road and mine pits. The direct environmental impacts resulting from this development will occur in the area tributary to the road and pits. This area of potential direct impacts is referred to in this document as the "True North project area."

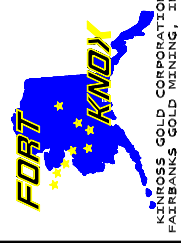
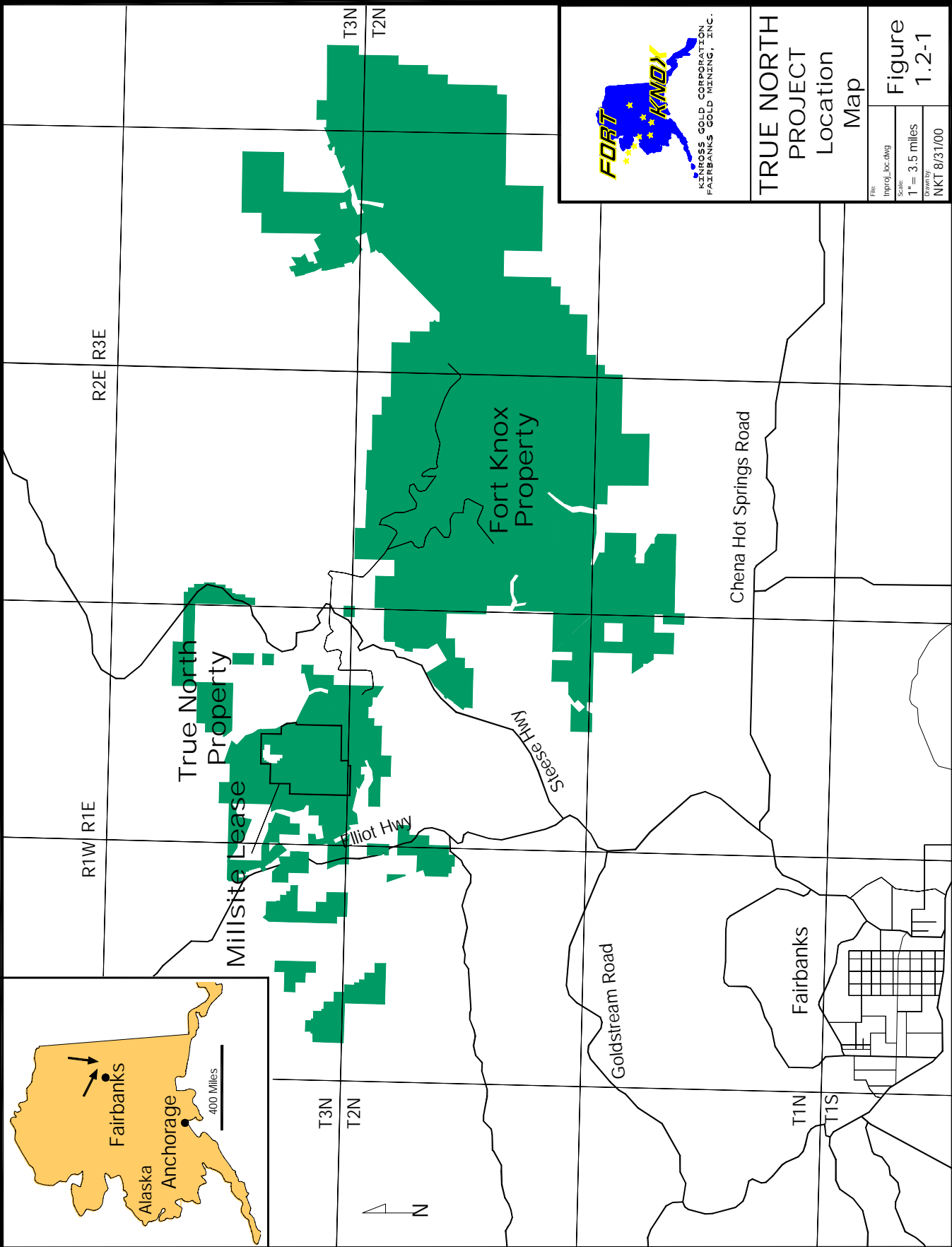
For the purposes of this environmental evaluation document, the True North project area encompasses an area of approximately 65 square miles (Fig. 1.2-2), roughly bounded on the south by Pedro Camp, on the east by the Fort Knox Mine, on the north by the Wolf and Ruby creek watersheds and the Chatanika River, and on the west by the Elliott Highway.

The Steese Highway, originally built by miners to access their mining claims, traverses the project area. The True North prospect itself presently is accessed via the Steese Highway to Cleary Summit, then 6.5 miles via a gravel road skirting the south side of Pedro Dome. The proposed mine site is approximately 6 miles northwest of the Fort Knox Mill. The True North property is contained within a combination of 388 state claims, 65.5 acres of federal patented land owned by FGMI, 401.2 acres of federal patented land under lease, and 4.68 acres of private real estate under lease. FGMI has applied for a Millsite Lease for development within a portion of the True North property. The area within the proposed millsite lease covers 2,096 acres with 79 state mining claims.

In the State's Tanana Basin Area Plan, the majority of the True North project area is in management Unit 1-J. Most of the project area falls under subclassification 1J2 - Cleary Summit - Pedro, which designates the primary surface land uses as minerals and public recreation. The secondary use is forestry. Land disposals and remote cabins are prohibited within 1J2. The minor Cleary Summit-Pedro area falls under subclassification 1J1, which designates the primary land use as settlement; secondary surface uses are public recreation and wildlife habitat. Remote cabins are prohibited.

The Fairbanks North Star Borough (FNSB) has zoned this area General Use. The True North project falls under two designations in the FNSB Comprehensive Plan, a combination of "High Mineral Potential," and "Reserve Area." The latter designation means uses such as mining, agriculture, recreation, hunting, trapping and fishing are all permitted until such time as a more specific highest and best use is identified.

Figure 1.2-3 presents a more detailed map of the area that shows the True North Mine site, the Fort Knox Mill site, and the area between.



TRUE NORTH
PROJECT
Location
Map

Figure 1.2-1	
File:	mapproj_loc.dwg
Scale:	1" = 3.5 miles
Drawn by:	NKT
Check by:	8/31/00

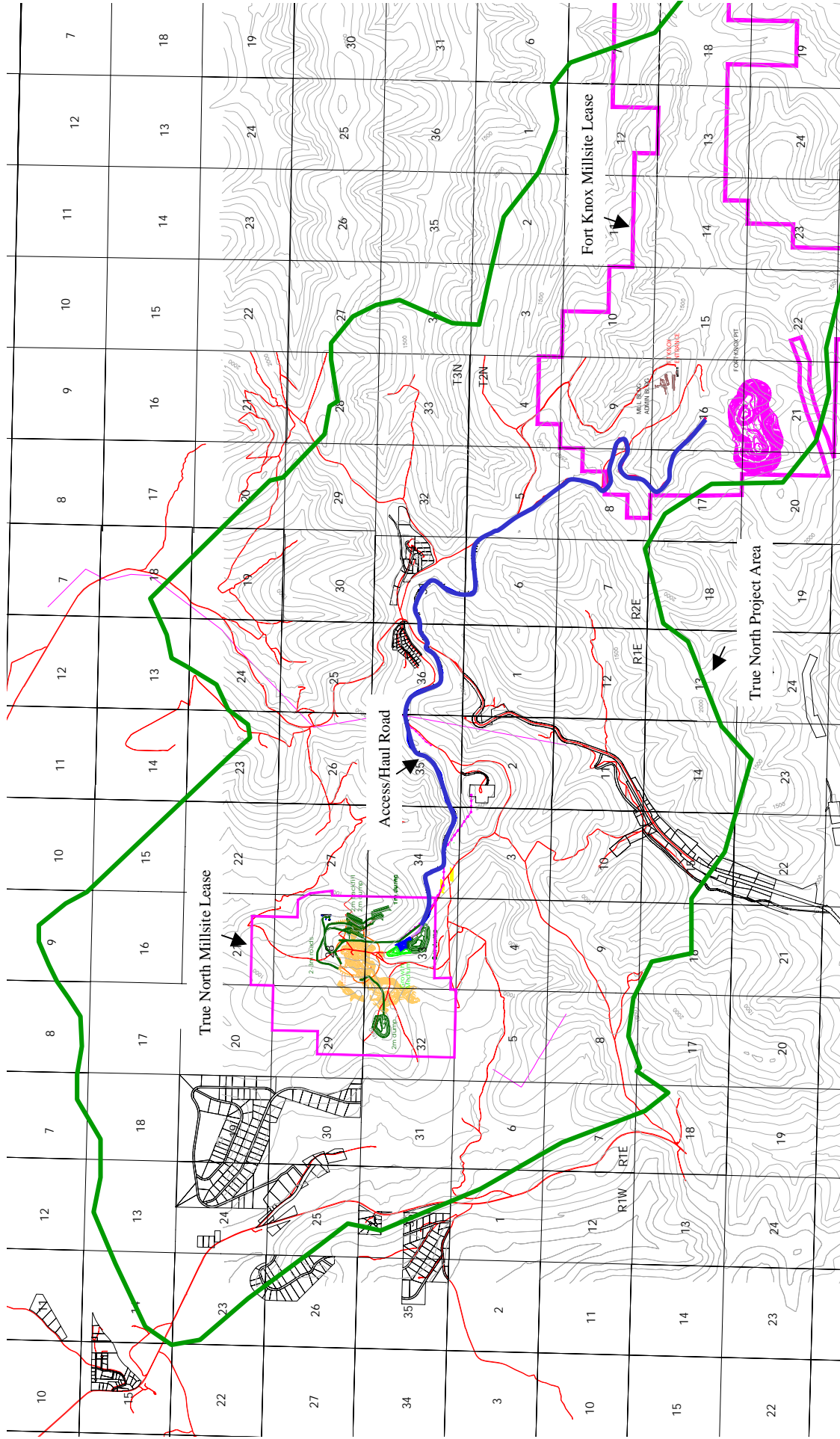


Figure 1.2-2

TRUE NORTH PROJECT AREA

Fairbanks Gold Mining, Inc.
a subsidiary of Kinross Gold Corporation